



UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202

455-84 (1142) July, 1988

CB-88-18 (LD)

Dear Colleague:

The purpose of this letter is to advise you of some immediate changes to the NDSL/Perkins Loan Default Reduction Assistance Project (DRAP) that should greatly simplify your preparation of documents for transmittal to us.

The series of three letters which the Department sends to borrowers who have defaulted on their loan repayments have been modified. Effective upon the date of this letter, it is no longer necessary for you to provide the total amount outstanding, the amount in default and the number of months in default. The same modifications are being made to our automated process for diskette and magnetic tape users.

This project is offered to participating institutions nationwide on a voluntary basis. By using this process, we expect to return a larger number of defaulted borrowers to repayment status. This will in turn serve to reduce the institution's default rate and increase the flow of income to the institution's Perkins Loan Fund.

In order to participate in this project you can complete a request on institutional letterhead which includes the information indicated on the enclosed sample or you can request the materials for the diskette or magnetic tape process.

If you opt to use the paper process do not submit more than one request with the same submission date on it. Our automated tracking process cannot handle more than one request with the same date for the same institution. If more than one person is developing a request, they should combine the requests and submit it as one, or use the next day's date on one of them. Also, do not submit requests for letters to borrowers if the account is already in the hands of a collection firm. This service is intended to get the borrower's account back into repayment before it goes to a collection firm.

If you want to use one of the automated options, you should contact Mr. Harrison Bannister on (202) 732-5776 to request the specifications for creating a magnetic tape of the required data from your mainframe computer or the DRAP diskette and User Guide.

Page 2 - Dear Colleague

The DRAP (PC program) diskette process requires an IBM or IBM-compatible PC which:

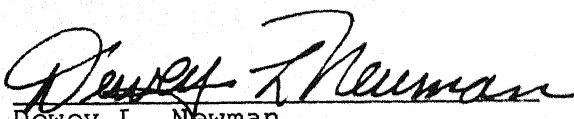
- o accepts 5 1/4 or 3 1/2 inch double sided, double density, IBM formatted diskettes,
- o operates on the MS-DOS operating system release 2.0 or higher,
- o has one or more disk drive(s) and a hard disk, and
- o has at least 256K memory.

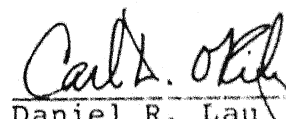
We will process the tape(s) or completed floppy data diskette in our DRAP (PC based) system and print/dispatch the requested letters. You retain the DRAP software for future submissions. Requests for this service should be sent to the following address:

U.S. Department of Education
Student Financial Assistance Programs
Division of Program Operations and Systems
Campus-Based Programs Branch
Regional Office Building No. 3
Room 4651
Washington, D.C. 20202
ATTN: Ms. Ernestine Parker

General questions regarding the NDSL/Perkins Loan Default Reduction Assistance Project should be directed to the Campus-Based Program Administration Section on (202) 732-3726.

Sincerely,


Dewey L. Newman
Deputy Assistant Secretary for
Student Financial Assistance


Daniel R. Lau
for Director, Student Financial
Assistance Programs

Enclosures

Student Loan Officer
Chief Fiscal Officer



UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

DRAFT

FINAL NOTICE

SAMPLE

The

has notified the U. S. Department of Education that your defaulted National Direct Student Loan or Perkins Loan is **SERIOUSLY DELINQUENT**.

You have a binding and legal obligation to repay your loan in a timely manner.

In addition to collection remedies currently at the institution's disposal, it has the authority to transfer your loan to the Federal Government.

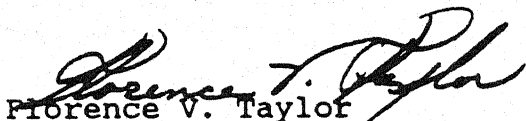
Should the institution transfer your loan because it continues to be in default, this Department is fully prepared to take all legal actions against you in order to recover the entire outstanding balance of your loan. Such actions could include:

- . reporting your failure to repay your loan to a national consumer credit bureau;
- . referral of your account to a private collection agency;
- . legal action taken against you in a U. S. Federal Court.

The Secretary of Education may inform the Director of Internal Revenue Service of the amount owed plus late charges and collection costs, and request an offset for any refund otherwise due to you!

To avoid these actions and a bad credit rating, you would be well advised to correct this situation immediately by remitting the amount past due to the address shown in your most recent billing statement, or by contacting on

Sincerely,


Florence V. Taylor

Chief, Program Administration Section
Campus-Based Programs Branch

ND/PL-3



UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

DRAFT

S A M P L E

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The

has notified the U.S. Department of Education of your **EXTREME DELINQUENCY** in the repayment of your defaulted National Direct Student Loan or Perkins Loan.

If this situation is not corrected within

48 HOURS

the lending institution will initiate additional default proceedings against you which will result in the referral of your account for stringent collection activities or legal action.

It is vitally important that you immediately pay the amount in default to the address shown in your most recent billing statement, or contact the lending institution now to resolve this debt. Your institution's contact person is and can be reached by calling

Sincerely,

Florence V. Taylor
Chief, Program Administration Section
Campus-Based Programs Branch



UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D. C. 20202

DRAFT

WARNING

S A M P L E

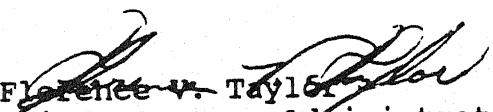
The U. S. Department of Education has recently been informed by

that you are in default in the repayment of your National Direct Student Loan or Perkins Loan.

This letter is to remind you of your legal obligation to repay your loan. You should understand that serious consequences will result if your default persists. If you have started making the necessary payments, please disregard this letter.

You may correct this situation immediately by remitting the amount past due to the address shown in your most recent billing statement, or by contacting ON

Sincerely,


Florence W. Taylor
Chief, Program Administration Section
Campus-Based Programs Branch

ND/PL-1

DRAFT

Date _____

DEFAULT REDUCTION ASSISTANCE PROJECT
NDSL/PERKINS LOAN PROGRAM

The borrowers named below were issued NDSL/Perkins loans authorized under Section 464, 20 U.S.C. 1087dd of Title IV, Part E, of the Higher Education Act of 1965, as amended.

SECTION A - INSTITUTIONAL INFORMATION

1. Full Name and Address of Institution (include zip code)

4. Title and Signature of Contact Person-

3. Entity No. (11 digits)

2. Serial No. (4 digits)

5. Telephone Number
(include area code)

SECTION B - BORROWER INFORMATION

6. Name and address of borrower

7. Social Security Number

8. Send Letter 1, 2, or 3 _____